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NATIONAL INTELLIGENCE DAILY CABLE

Monday August 30, 1976

CI NIDC 76-204C

DIA review(s) completed.

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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Approved For Release 2005/06/09 : CIA-RDP79T00975A029200010050-2

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National Intelligence Daily Cable for Monday August 30, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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IRAN: US Civilians Killed

25X1 [] The killing of three US civilians in Iran on Saturday probably was the work of an extremist religious group, the Peoples' Strugglers.

25X1 [] This group was responsible for the killing of a US army officer in 1973 and two US air force officers in 1975, as well as for many bombings of buildings associated with the US.

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25X1 [] A new element in the recent killings is that the targets were civilians working for a private company under contract to the Iranian government. Previous targets were members of the official US community in Iran.

25X1 [] There are about 17,000 US citizens in Iran in a non-official capacity, including dependents. The total US presence numbers about 24,000.

25X1 [] //The terrorists apparently hope to provoke enough fear within the non-official community to cause many to return home. Iran depends heavily on such civilian workers and advisers to help carry out its economic and military modernization programs. Even a limited exodus of US civilian personnel would probably impede that effort, if only temporarily.//

25X1 [] The Strugglers represent ultraconservative religious groups that deplore the growth of Western, non-Muslim influence and the diminished power of traditional religious

leaders--both resulting from the Shah's program of land and social reform. The Strugglers' strategy is to destroy the present government by attacking its main bases of support, which, in the eyes of the terrorists, include the US.

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EGYPT-LIBYA: Military Build-up

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[redacted] Egypt and Libya are continuing the military build-up along their border.

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[] *Pravda* yesterday for the first time mentioned the growing Libyan-Egyptian dispute. A pro-Libya Observer article criticized Egyptian leaders, alleging they were threatening Libya because Tripoli had opposed "those Arab countries which seek a separate agreement with Israel."

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[] The article called upon "progressive forces" in both Arab and non-Arab states to help thwart those who oppose Arab unity. The developments involving Libya, according to the commentary, attracted close attention because of the "danger of a new military conflict." The article gave no hints about what the Soviets might do in the event of such a conflict. []

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KOREAS: Situation Report

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[] At the Saturday meeting of the UN Military Armistice Commission in the Korean Demilitarized Zone, North Korea deflected US requests for interim assurances of safety for UN personnel in the Panmunjom area and for the withdrawal of four North Korean guard posts south of the demarcation line as preconditions for further negotiations at lower level staff meetings.

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[] The chief North Korean delegate said that a "satisfactory agreement," including the withdrawal of the guard posts, can be worked out at a meeting of the secretaries of both negotiating teams. He said such a meeting was needed to arrive "jointly" at new security arrangements to assure the safety of security personnel from both sides. He proposed that a secretaries' meeting take place "without delay."

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[] The North Koreans had proposed last week that the two sides physically separate their security personnel in the Joint Security Area at Panmunjom to avert further incidents. The UN has no guard posts in the North's sector of the Joint Security Area; thus, only the North Koreans would have to pull their four guard posts back to implement their own proposal.

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[] Meanwhile, North Korean media are claiming that the US has already accepted Pyongyang's proposal. Reporting on Saturday's meeting, the North Korean news agency said that the "US side was compelled to agree to the just proposal of our side."

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LEBANON: Situation Report

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[] The principal parties to the Lebanese conflict are engaged in still another round of consultations prior to an expected meeting of Arab foreign ministers this week.

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[] The secretary-general of the Arab League yesterday invited the foreign ministers to meet in Cairo on Wednesday. The group will attempt to arrange for an Arab summit conference on Lebanon, perhaps to be held in early September.

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25X1 [] The Arab League's chief mediator in Lebanon was scheduled to return to Cairo last night after three days of trying to promote the latest League peace plan among Lebanese Christian, Palestinian, and Syrian leaders. No side has agreed unequivocally to the proposal.

25X1 [] Fatah leader Salah Khalaf said yesterday that the Palestinians accept the peace plan, but tied his approval to Christian adherence to provisions reportedly requiring balanced Palestinian and Christian withdrawal from contested areas in the mountains east of Beirut. These areas are predominantly Christian, and Christian leaders are demanding a unilateral Palestinian and leftist pullback.

25X1 [] Christian leaders are withholding any formal reaction to the peace plan out of dissatisfaction with its demand for Christian withdrawals. They are also awaiting some indication of Syria's position. Arab League mediators talked with Syrian Foreign Minister Khaddam yesterday, but Damascus has made no comment on the proposed agreement.

25X1 [] The Lebanese Christians and the Syrians appear to be preparing a coordinated response to the League proposal and a strategy for the foreign ministers' meeting. A representative of the right-wing Phalanges Party visited Damascus following a meeting of Christian leaders on Friday, and Lebanese president-elect Sarkis is scheduled to travel to Syria tomorrow.

25X1 [] Military activity was at a relatively low level in most areas of Lebanon over the weekend. There was almost no indiscriminate shelling in Beirut, and less ground action than usual in contested areas of the capital and the central mountains.

25X1 [] Syrian and Christian forces are continuing their attempts to consolidate their positions in the east and south, particularly near Jazzin. Shelling continues in Tripoli, with neither side making appreciable gains. []

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KUWAIT: National Assembly Dissolved

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[] Kuwaiti Emir Sabah al-Sabah yesterday dissolved the National Assembly and suspended key sections of the constitution. The action followed the resignation of the cabinet of Crown Prince Jabir al-Ahmad al-Sabah, the country's most important political figure.

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[] The Crown Prince said he had resigned as prime minister because of the failure of the legislature to cooperate with the executive branch. The decree dissolving the assembly charged it with having "exploited democracy and frozen most legislation in order to achieve private gain."

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[] Although the Emir has the authority to dissolve the National Assembly, he acted unconstitutionally in suspending articles of the constitution without declaring a state of emergency. The section of the constitution that has been suspended calls for new parliamentary elections within two months of the dissolution of the legislature.

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[] The Crown Prince has been asked to form a new cabinet, but it seems unlikely that the government will act quickly to re-establish the parliamentary system it had for 15 years. The Emir has indicated that a committee of experts has been established to review the constitution and to propose amendments, which will be presented to a public referendum within four years.

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[] The Emir also moved yesterday to curb the press. Under the new rules, the government has the authority to suspend a publication after showing that its policies are "against the national interest." The decree also banned the publication of any statement or advertisement by a foreign country or organization unless approved by the Kuwaiti government.

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[] In recent months, the Kuwaiti press has become a verbal battleground for the partisans of Egypt, Syria, and the Palestinians. The ruling Sabah family is anxious to prevent Arab embassies in Kuwait from issuing blasts against other Arab governments and from inflaming the passions of the heterogeneous Kuwaiti population. []

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SAUDI ARABIA - SYRIA: Troop Withdrawal

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Saudi Arabia apparently has begun to withdraw its 5,900-man brigade from Syria.

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[REDACTED] A convoy of Saudi cargo trucks moved through Jordan on Friday, according to the Saudi attache in Amman, en route from Syria to Tabuk. The US defense attache in Damascus reports that the combat units probably will move in mid-September, and the transfer is expected to be completed by mid-October. [REDACTED]

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THAILAND: Former Prime Minister May Return

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[REDACTED] //The Thai government apparently will permit former prime minister Thanom to return to the country to visit his ailing father if the expected request is made.//

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[REDACTED] Thanom's return two years ago set off student demonstrations that forced the government to expel him again, and the government has not yet recovered from the turmoil created by the unauthorized visit two weeks ago of Thanom's former deputy, Field Marshal Praphat.

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[REDACTED] Seni appears to be taking the position that if Thanom's visit is limited in time and is for reasons of compassion, student protests will be less likely.

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[REDACTED] The public, which tends to view Thanom as less responsible for the misdeeds of the former military regime than Praphat, may be less tolerant of demonstrations against Thanom's family visit than it was of those against Praphat's surreptitious entry.

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25X1 [] Thanom's wife and daughter arrived in Bangkok from Singapore Saturday and will meet with Seni soon to discuss arrangements for the visit. []

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SOUTH KOREA: Opposition Leaders Sentenced

25X1 [] The stiff sentences imposed on a group of leading opposition figures in Seoul over the weekend represent another sharp setback for South Korea's antigovernment forces.

25X1 [] The defendants, religious and political leaders who issued a manifesto criticizing the Pak government last March, had hoped their action would revive the languishing opposition movement but the gambit was unsuccessful. In the aftermath of the August 18 incident at Panmunjom, the chances of mounting significant challenges to President Pak appear even more remote.

25X1 [] //Some of the court sentences will probably be reduced in appeals court or by presidential action. Pak seems likely to take at least some symbolic action designed to lessen the adverse impact of the case on South Korea's relations with the US. Pak is also aware that the sentencing of his old political rival Kim Tae-chung to eight years in prison may complicate relations with Japan, in view of Tokyo's continuing interest in Kim's plight.//

25X1 [] //Major reductions in the sentences appear unlikely because Pak's political position has been strengthened by the Panmunjom incident. Moreover he apparently remains convinced that a significant loosening of political controls would be viewed as a sign of weakness and encourage his domestic adversaries.// []

JAPAN-USSR: Economic Relations

25X1 [] General Secretary Brezhnev's recent suggestion to a delegation of Japanese industrialists that Moscow and Tokyo should accelerate the pace of bilateral economic cooperation is unlikely to strike a responsive chord in Japan.

25X1 [] Tokyo apparently plans no formal response to Brezhnev's proposals until the annual meeting of the Soviet-Japanese economic committee in November. The Japanese have always been

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reluctant to underwrite the kind of open-ended development schemes that Moscow has in mind and are unlikely to alter their preference for considering Soviet proposals on a case-by-case basis.

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[] Business leaders and Foreign Minister Miyazawa are both stressing that any progress on economic matters must be preceded by a Soviet initiative to improve the "atmosphere"--a pointed reference to Tokyo's desire for some sign of Soviet flexibility on the Northern Territories. They have also again raised the long-standing question of Brezhnev's visit to Japan.

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[] Tokyo has few illusions that Moscow will meet any such preconditions for expanding economic relations. Brezhnev was noncommittal when both topics were raised by the visiting businessmen, and Miyazawa himself had a sterile exchange on the territorial issue with Foreign Minister Gromyko last January. In raising these issues, Tokyo may also hope to disabuse the Soviets of any notion that Japan's recent coolness toward the Chinese will afford Moscow added leverage in bilateral ties with Japan. []

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USSR: Dissident Artists

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[] Moscow's art community has inaugurated the cultural season with an unusual exhibit that somewhat extends the official limits of acceptable art, but that also reveals the sophisticated tactics used by the authorities to split the ranks of dissident artists.

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[] The 10-day, officially sponsored exhibit that opened on August 20 contains about 120 paintings by 12 artists. Although all are members of the artists union, all but one has participated in past exhibits of "unofficial" art. The works displayed are conventional by Western standards, but the abstract themes and novel techniques represented are a sharp departure from doctrinaire "socialist realism."

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[] The exhibit does not mean that long-standing Soviet cultural doctrine has been abandoned. Instead, it illustrates the continuing pragmatism of Soviet cultural policy, which now stretches ideological canons in order to achieve its wider goal of disorganizing, isolating, and ultimately liquidating dissidence of any kind. Cultural officials have progressed from the crude disruption with bulldozers of the outdoor show of dissident art in September 1974 to limited official sponsorship of "unofficial" art, and now to official acceptance of some unorthodox works.

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[] The current exhibit is one result of a long and apparently successful drive by the authorities to co-opt most dissident artists and to leave the remaining handful of rebels to wither from lack of publicity. One member of this minority says that about \$200,000 has been earmarked--he believes by the KGB--for "buying off" unofficial artists with favors that include all-expense-paid trips and vacations in the USSR. Various government organizations reportedly are making unprecedented

25X1 offers to buy works of unofficial artists. These offers are accompanied by promises of officially organized exhibits and subtle pressures to join the artists union.

[] Those artists who remain intransigent have been harassed. There are rumors in Moscow that some dissident artists may attempt a dramatic gesture of some kind on the anniversary on September 15 of the bulldozing incident. An attempted commemoration last year fizzled. []

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ITALY - WEST GERMANY: Loan Repayments

25X1 [] West Germany has agreed to renew the \$2-billion gold-backed loan to Italy originally scheduled for repayment on September 5. Italy's present foreign exchange holdings would have permitted only partial repayment of the loan at this time.

25X1 [] The amount of gold pledged against the loan apparently will be increased to offset the decline in the market price of the metal. A West German spokesman also stated that Bonn expects Italy to honor its economic and political obligation, and in particular to dismantle our current restriction on trade as soon as possible.

25X1 [] With the current market price of gold around \$104 an ounce, the West Germans might insist that up to 24 million ounces instead of the present 16.6 million be set aside for security. Rome's present gold holdings are estimated at about 90.5 million ounces.

25X1 [] The final details of the rescheduling, including the amount of new security, are to be negotiated between the West German and Italian central banks.

25X1 [] Italy's inability to repay the 1974 loan on schedule illustrates the poor strategy used by past Italian governments in dealing with balance-of-payments problems.

25X1 [] Beginning in 1972, and especially in 1974, Rome covered widening payments gaps through international borrowing rather than attempting to eliminate them through domestic austerity measures. With ample foreign exchange and massive gold holdings, Italy felt its creditworthiness assured.

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[] Heavy borrowing has now all but excluded Italy from the Euromarkets, and the decline of the price of gold has reduced the value of Italy's gold holdings as collateral. []

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FRANCE: Oil Imports

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[] A surge in oil imports last month--which were already rising steadily this year as the economic situation improved--caused France's largest monthly trade deficit (seasonally adjusted) since August 1974. It brought the total trade deficit for the year to \$1.1 billion compared with a surplus of \$1.8 billion in the period from January to July 1975.

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[] Reduced hydro-electric output because of the continuing drought was a major cause of the jump in oil imports. Oil use by thermal power plants last month was up about 50 percent from July 1975. Stockpiling by households also played a role. Increases in the price of naphtha and industrial oils last May prompted speculation that prices of gasoline and other fuels also would be raised.

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[] Oil industry officials now expect the energy import bill for 1976 to exceed the official target of \$10.4 billion by as much as \$2 billion. In addition to the effects of the drought, the depreciation of the franc since June will add substantially to the cost of imports.

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[] The government is talking about enforcing conservation measures. It is particularly concerned about the possibility of OPEC price hikes later this year, which could lead to an even larger trade deficit and impede efforts to curb inflation.

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BRAZIL: Right Wing Bombings

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[] Recent terrorist acts in Brazil apparently by right-wing extremists, have aroused great concern among politicians who see them as efforts to block the coming municipal elections. There had been virtually no such incidents, from either the right or left, for several years.

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25X1 [] In Rio de Janeiro, the offices of the Brazilian Press Association were bombed and an unexploded device was found at the headquarters of the Brazilian Bar Association. In another major city, a military court in which accused leftist subversives were to be tried was bombed.

25X1 [] A heretofore unknown group calling itself the Brazilian Anti-Communist Alliance claimed credit for the Rio de Janeiro incidents. Leaflets left in both buildings said the organizations attacked were heavily influenced by communists and that the government was too "cowardly" to act.

25X1 [] The incidents are being widely interpreted in Brazil as the work of right-wingers bent on forcing President Geisel to abandon his efforts at liberalization and to concentrate on security matters. Conservative forces for some time have been trying to persuade Geisel to modify his policy. Last month, for example, former president Medici--an advocate of tougher security measures and tightly restricted participation in politics--used his first public speech since leaving office to attack liberalism as inappropriate and misguided.

25X1 [] The bombings have been condemned by leading congressmen, state governors, and other leaders. The government has promised a thorough investigation, but this promise has been met with skepticism that the right--if indeed it was responsible--will be prosecuted as vigorously as left-wing dissidents have been. []

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